



## **Annual General Meeting: Presentation to Shareholders**

23<sup>rd</sup> November 2017



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*The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the ‘JORC Code’) sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in accordance with the JORC Code and references to “Measured Resources”, “Inferred Resources” and “Indicated Resources” are to those terms as defined in the JORC Code.*

*Information in this report relating to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Dr Frazer Tabearth (an employee of African Energy Resources Limited) who is a member of The Australian Institute of Geoscientists. Dr Tabearth has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Tabearth consents to the inclusion of the data in the form and context in which it appears.*

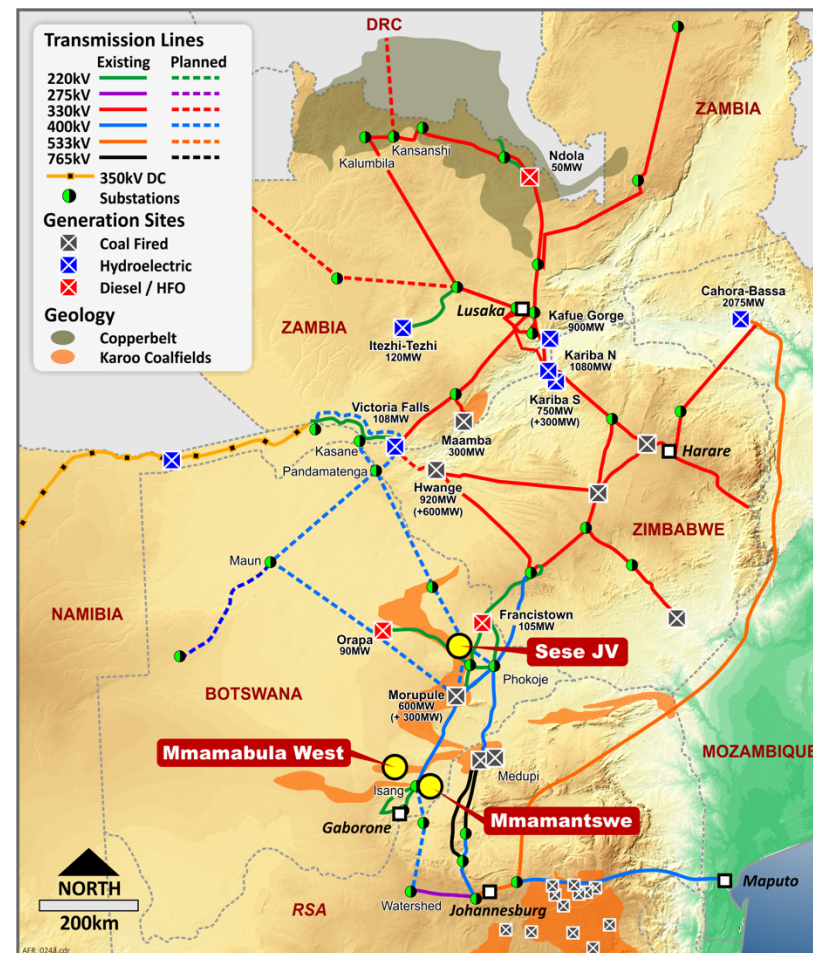


## African Energy is participating in the development of large-scale power projects in Botswana

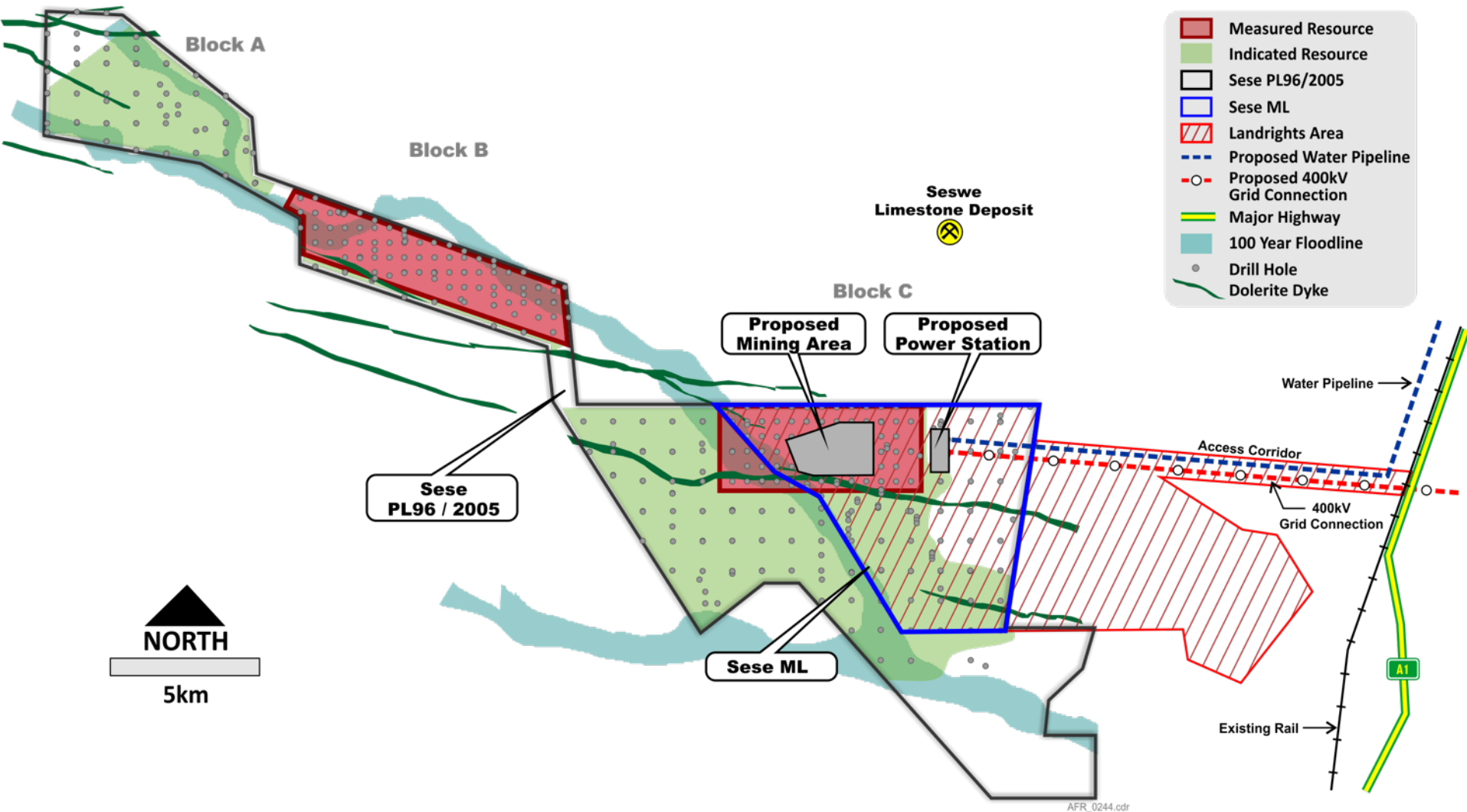
- ❖ Three projects in Botswana being developed as integrated power projects to supply electricity into the SADC region:
  - ❖ **Sese JV**: 450MW: Managed by First Quantum Minerals Ltd
  - ❖ **Mmamabula West**: 600MW: Early development stage.
  - ❖ **Mmamantswe**: 600MW: Under option to South African developer for the 3,750MW IPP program

### Main Developments in 2017:

- ❖ Significant progress with permitting and technical studies for the Sese JV. On track for completion of all permitting this year
- ❖ Tariff increases in Zambia resulted in legal disputes and Government intervention, in turn leading to agreement for FQM to import power, though progress remains subject to cooperation by state utility ZESCO
- ❖ Excess power generation in South Africa has allowed Eskom to offer cheap exports, disrupting plans for new generation

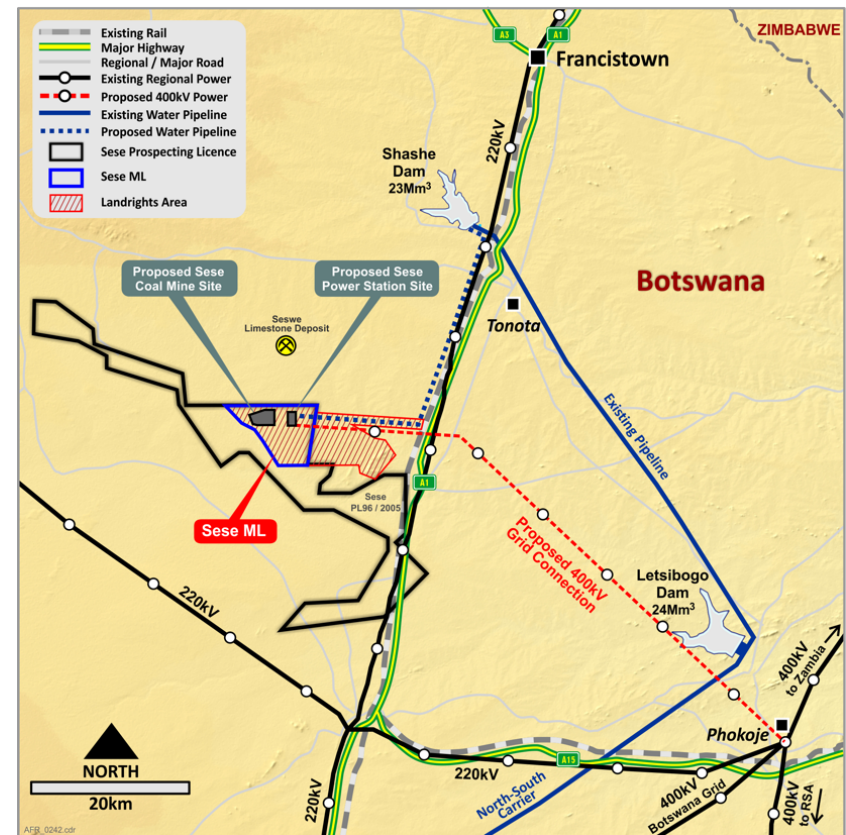


# Sese JV: project overview



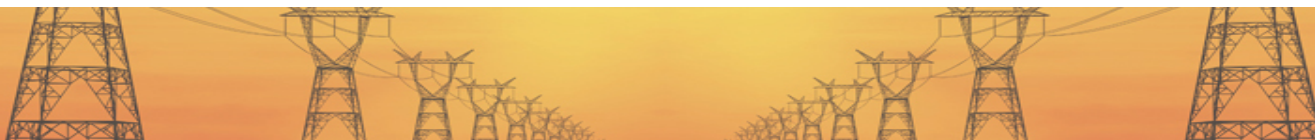
# Sese JV: significant progress in 2017

- ✓ **Completion** of mining studies and power station design to pre-feasibility standard
- ✓ **Approved** water allocation from Shashe Dam and fully executed Water Supply Agreement
- ✓ **Approved** 50-year Land Lease Agreement covering 110km<sup>2</sup>
- ✓ **Approved** 25-year Mining Licence covering 51km<sup>2</sup> which contains enough coal to fuel multiple 450MW power projects
- ✓ **Approved** Manufacturing Development Approval Order sets fiscal regime for the power project, including a 5-year tax holiday from commencement of operations and then a tax rate of 15%
- Draft Power Sales Agreement between Sese JV and FQM's copper operations in Zambia
- Negotiations for a Generation and Export Licence and Power Wheeling Agreements are in progress - now the only major outstanding permits and agreements



# Sese JV: ongoing programs

- Continue negotiations with the Botswana Energy Regulatory Authority (BERA) for Generation and Export License – this is the only remaining major license required for the project in Botswana
- Undertake compensation and resettlement of all cattle grazers from within the Land Rights area to new areas outside of the boundary
- Submit amendments to the approved EIA seeking adjustment to 500MW of power generation and associated coal mining
- Continue negotiations with Copperbelt Energy Corporation as a potential project partner and commercial manager of power sales from Sese to Zambia
- Seek membership of ZIZABONA as a cornerstone customer and potential provider of in-kind support to build the ZIZABONA interconnectors, providing additional pathways to move power between Botswana and Zambia



The Sese JV has all the critical elements required to build a major power business:

**1. Access to secure supply of power station fuel for the life of the project**

- ✓ Approved Mining License at Sese contains enough low-cost, low-risk coal for multiple 450MW projects for >35 years

**2. Access to long-term power markets through a secure power sales agreement**

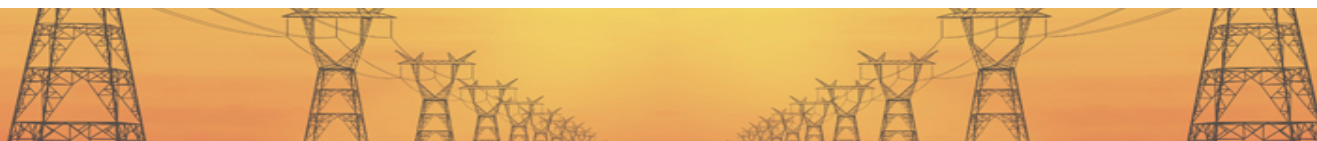
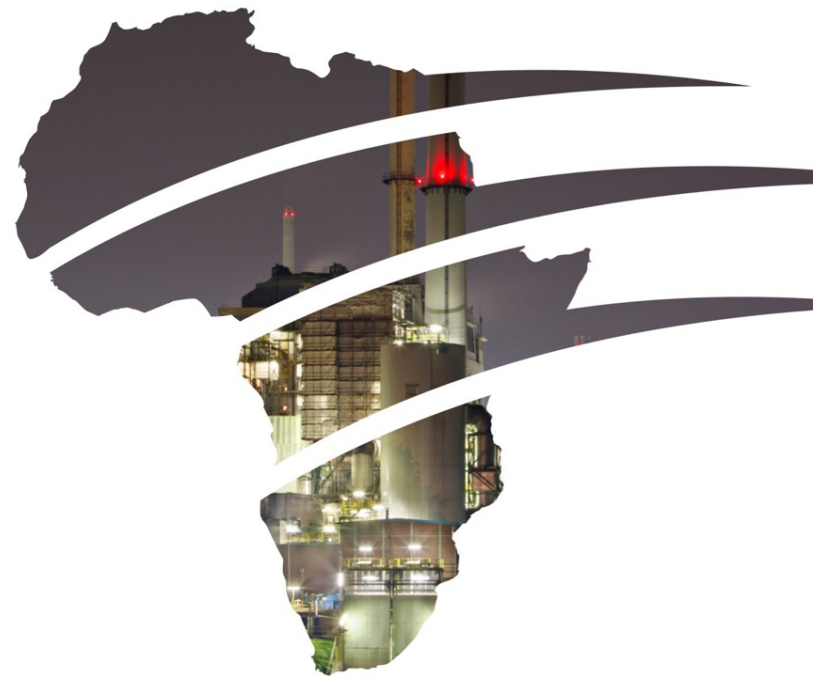
- ✓ Draft Power Sales Agreement to sell power to First Quantum's copper operations in Zambia

**3. Access to project funding**

- ✓ AFR's 25% share of Sese project funding to be loan carried to commercial operation by First Quantum Minerals Ltd

**4. Access to sufficient transmission infrastructure capacity**

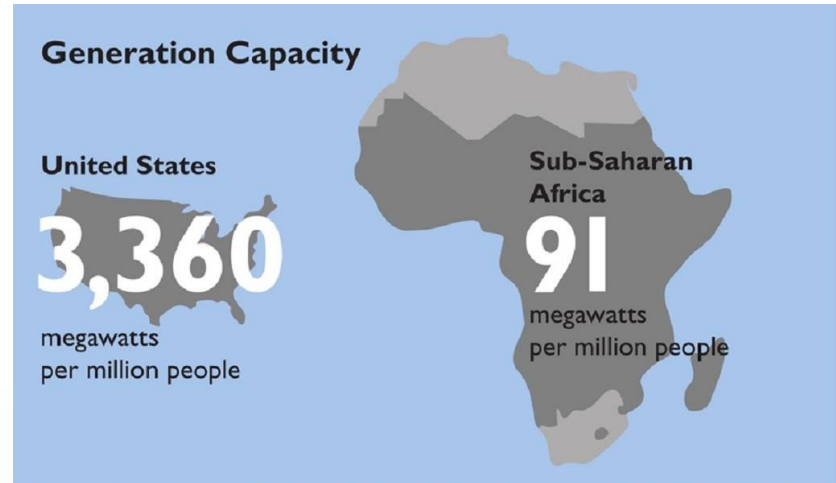
- ✓ Existing high-voltage transmission infrastructure in place with available capacity



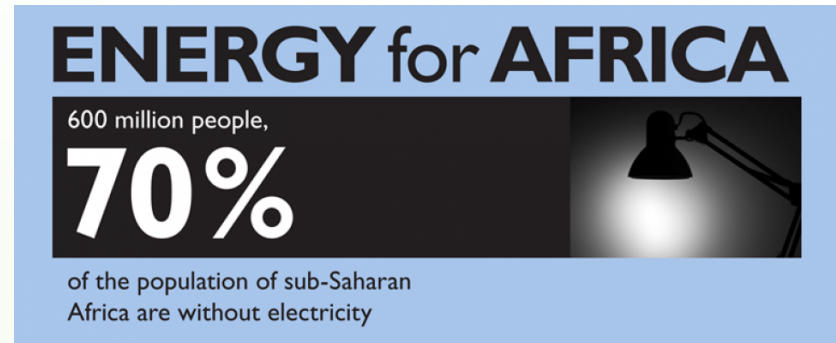
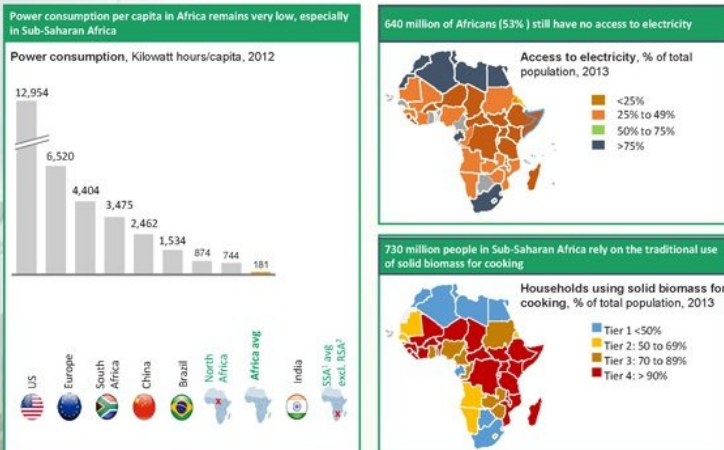
# Africa requires major growth in power generation



- Significant international interest in improving access to electricity in Africa
- Growing awareness of link between access to affordable power and improved living standards
- Cost and reliability are key issues



## Light up and Power Africa: The Challenge



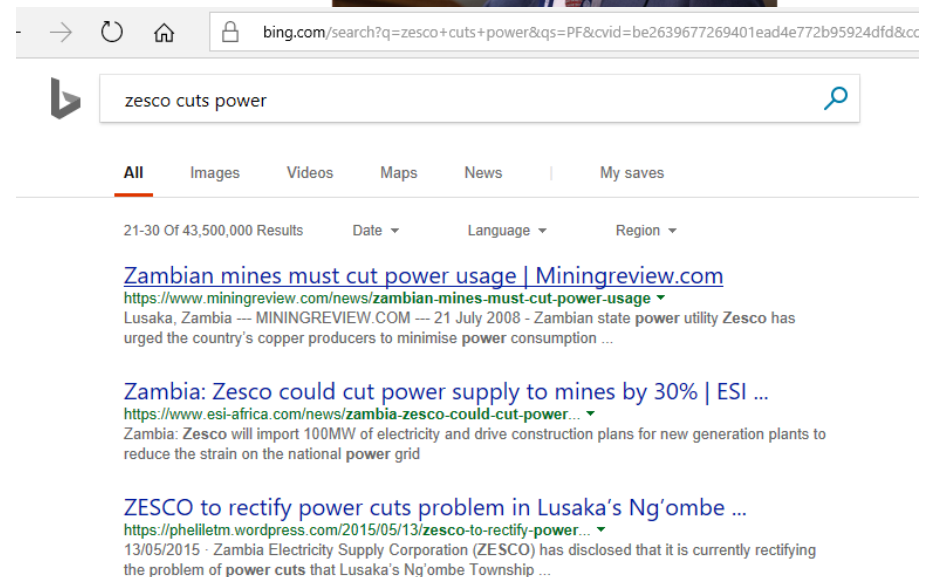


# Challenges to development

- Eskom, the South African utility, currently has excess generation capacity and is offering exports to regional customers at low tariffs (effectively at marginal cost) – this is disrupting decisions to commit to new IPP's such as Sese and Mmamantswe/Mmamabula
- The excess capacity comes from high costs generation brought on during previous shortages and is causing Eskom heavy operating losses, so these low tariff's are unsustainable
- ZESCO, the Zambian utility, is currently unable to meet internal demand without importing power
- ZESCO recently raised tariff's to it's major customers in Zambia to USD 9.3c per kWh - FQM has agreed to pay this tariff if ZESCO allows it to import a portion of its power needs, but the commercial details around MW volume and 'Use of System' fees have yet to be fully resolved



## Eskom's business model is 'no longer fit for purpose'



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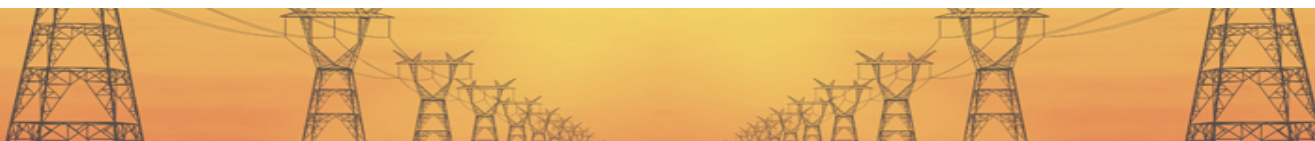
[Zambian mines must cut power usage | Miningreview.com](https://www.miningreview.com/news/zambian-mines-must-cut-power-usage/)  
[https://www.miningreview.com/news/zambian-mines-must-cut-power-usage](https://www.miningreview.com/news/zambian-mines-must-cut-power-usage/)  
Lusaka, Zambia --- MININGREVIEW.COM --- 21 July 2008 - Zambian state power utility Zesco has urged the country's copper producers to minimise power consumption ...

[Zambia: Zesco could cut power supply to mines by 30% | ESI ...](https://www.esi-africa.com/news/zambia-zesco-could-cut-power-usage/)  
[https://www.esi-africa.com/news/zambia-zesco-could-cut-power...](https://www.esi-africa.com/news/zambia-zesco-could-cut-power-usage/)  
Zambia: Zesco will import 100MW of electricity and drive construction plans for new generation plants to reduce the strain on the national power grid

[ZESCO to rectify power cuts problem in Lusaka's Ng'ombe ...](https://pheliletm.wordpress.com/2015/05/13/zesco-to-rectify-power-cuts-problem-in-lusaka-s-ng-ombe-township/)  
[https://pheliletm.wordpress.com/2015/05/13/zesco-to-rectify-power...](https://pheliletm.wordpress.com/2015/05/13/zesco-to-rectify-power-cuts-problem-in-lusaka-s-ng-ombe-township/)  
13/05/2015 · Zambia Electricity Supply Corporation (ZESCO) has disclosed that it is currently rectifying the problem of power cuts that Lusaka's Ng'ombe Township ...



- As a result of these challenges, FQM requested a 12-24 month extension to the earn-in timeframe for the Sese JV whilst these issues are resolved
- AFR agreed to this extension, subject to FQM investing AUD \$1.38M (@ AUD \$0.078/share) into AFR and continuing to use best endeavors to resolve the commercial issues around importing power into Zambia
- Also agreed that FQM continues to seek finalisation of all Sese JV permitting tasks and continue to pursue partnership opportunities that may assist with the importation of power into Zambia
- As a part of the consideration for the extension FQM transferred its ~7% interest in Caravel Minerals (owner of the Calingri Copper Deposit in Western Australia) to AFR
- As there is a risk of further delays AFR has commenced a review of corporate costs
- In the event the project timeline is further extended consideration will be given to other project opportunities
- Further announcements regarding these reviews will be made in due course



Shares on issue	627 million
Options and Rights	21 million
Market Cap (@ \$0.035)	AUD \$22M
Cash (31 Oct 2017)	AUD \$4.3M
Value of Listed Investments (23 Nov 2017)	AUD \$1.2M
Debt	Nil

## Major Shareholders

The Sentient Group	23%
First Quantum Minerals	14%
Management	11%
Top 20 (including above)	65%

- Strong progress has been made at the Sese JV in 2017
- Technical studies completed to at least PFS level and most permits and agreements executed
- Final tasks for full project permitting are in progress;
  - Generation and Export License
  - Amendments to the approved EIA
  - Finalisation of the relocation action plan for cattle grazers
  - Commercial agreements for the transmission and importation of power into Zambia
- Delays to Sese project commitment by FQM due to
  - Sales of excess power from Eskom distorting SAPP market prices
  - Delays in finalising power imports with ZESCO
- No clear timeline is possible for dealing with the delays, therefore;
  - Review of corporate costs
  - Consideration of other projects/opportunities

